HUSKY ENERGY
2014 PRODUCTION GUIDANCE/CAPITAL EXPENDITURE PROGRAM CONFERENCE CALL & WEBCAST TRANSCRIPT

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Speakers:
Asim Ghosh
President & Chief Executive Officer

Alister Cowan
Chief Financial Officer

Robert Peabody
Chief Operating Officer

Robert Baird
Senior Vice President, Downstream

Robert McInnis
Manager, Investor Relations
OPERATOR:
At this time, I would like to turn the conference over to Rob McInnis, Manager of Investor Relations. Please go ahead, sir.

ROB MCINNIS:
Good morning and thanks for joining us. I'm joined today by CEO, Asim Ghosh; COO, Rob Peabody; and CFO, Alister Cowan, as well as our Downstream Senior VP, Bob Baird. We will provide details of our 2014 budget plans and production guidance and then take your questions.

A note that all figures referenced are in Canadian dollars and before royalties, unless otherwise noted.

Also a quick reminder that today’s presentation will contain forward-looking information and I’ll refer you to the advisory in the news release that outlines the various risk factors and assumptions. These are also described further in our quarterly releases and in our annual filings which are available on SEDAR, EDGAR and our website.

Asim will now provide you with his overview.

ASIM GHOSH:
Thanks Rob, and good morning, everybody. Our news release this morning sets out the 2014 waypoints of our balanced growth strategy. Alister and Rob will share some specific information with regard to the 2014 plan, while I intend to take a few minutes to provide a strategic context. We are now three years into our strategy. I think that’s an appropriate time to take stock and hold up a mirror to our performance.

Looking back, we made a deliberate decision when we first outlined our strategy to you, to remain an integrated company. Upstream, we needed to stabilize our production and set the table for growth. Downstream, we needed to enhance our opportunities for margin capture and prepare for increasing production volumes of heavy oil and bitumen. Overall, we were faced with the declining conventional production in an aging basin in Western Canada, our heavy oil business was in steady decline and likewise, in Atlantic Canada, production from White Rose was falling. Our reserve replacement ratio was inconsistent and needed improvement, and
while we had a deep portfolio of prospects, including Liwan, we did not have a financial plan to realize the full value of that portfolio.

In essence, we recognize the need to fundamentally change tack and that is what we did. Our first priority was actually, internally and externally, to clarify our business strategy. We established a disciplined portfolio management plan to provide for a balance of near-, mid-term and long-term opportunities and you will recall, at that time, we spoke about being long on long-term projects and short on short-term projects. To manage that portfolio, we created a rigorous capital allocation process, which meant investing in the right projects at the right time with the simple objective of achieving a balance between growth and maintaining a steady dividend to our shareholders and then, finally, we set annual and long-term targets for our performance to hold ourselves accountable. Alister will provide more detail. However, the key takeaway is that through this period, we have continued to meet our targets.

Our track record of consistent execution over the past three years has been realized across all business segments and I’ll touch on a few key areas.

Let me start with heavy oil which has, you know, been the historical foundation of Husky. This business has undergone perhaps the biggest revival as we shifted our focus to thermal production. We’ve completed two thermal projects since 2010; two others are set to begin production in 2014 and 2015 respectively, and we are continuing to advance other options in our portfolio. In total, we have increased our heavy thermal projects—heavy oil thermal volumes more than 100% from about 18,000 barrels a day in 2010 to a forecast 37,000 barrels a day this year and based on that strong performance, from our current projects and anticipated results from some pending developments, we raised our heavy oil thermal target last year to 55,000 barrels a day by 2017 and are on track to hit that target.

In Western Canada, we set the stage for a similar revival with an emphasis on oil and liquids-rich gas resource plays. This transformation is advancing at a more gradual, but deliberate pace, as we continue to de-risk and prioritize our best plays. Our total production from our oil and liquids-rich resource plays has increased more than 80% since 2010 and so far, the biggest star in our portfolio is Ansell. We are committing additional investments to this liquids-rich gas play in anticipation of more than doubling production over the next few years, with a healthy
return. Overall, we’ve set a goal of 50,000 barrels a day from our resource plays by 2017 and we remain on pace to achieve that goal.

Downstream, we have repositioned our assets with a number of initiatives since 2010 to speak to what we call our focused integration strategy. Primarily, we have worked to increase the flexibility of the types of crude we process, the range of products we produce and the markets we can access to get the best bang for our buck. Our recent steps in that direction include increasing diesel production at our upgrader at Lloydminster; a new kero hydrotreater at our Lima refinery, which added capacity to produce distillate and gives us the flexibility between producing diesel and jet fuel; the addition of a new reformer unit at our partner-operated Toledo refinery to reduce operating costs and increase efficiency; increasing our market connectivity and storage, including substantial pipeline commitments; enhancing our Midstream infrastructure to get better access to the market; and, as we announced recently, we are advancing planning for a further repositioning project at Lima which will improve our ability to process heavier crudes from Western Canada.

Let me now turn to our growth pillars. We are sharpening our focus as we continue to develop three major growth pillars in the Asia-Pacific region, the Oil Sands and the Atlantic region and we have some major milestones coming into sight in 2014.

We will see first production from the Liwan gas project, our biggest development to date, in early 2014 and we expect Liwan, of course, to deliver a substantial boost to our production and cash flow in the coming years. Building on our four discoveries last year offshore Indonesia, we just made a new discovery in the vicinity of our shallow-water developments in the Madura Strait. This well could be tied back directly to our plant facilities for the other fields. Next up, after Liwan, will be first oil from our Sunrise Energy project in late 2014.

In the Atlantic region, we put more than a few notches on our belt this year. We stabilized the base and are continuing our step-out work around the White Rose field. In the near term, we are advancing our satellite developments in the Jeanne d’Arc Basin at North Amethyst and South White Rose. A bit further out, we expect to bring our West White Rose field on production, subject to final approvals, in the 2017 timeframe. And last, but not least, in the very prospective Flemish Pass Basin, we are building on our successful exploration program and moving forward with our partner to accelerate our exploration drilling activities.
So, as you can see, in all areas of our business, the progress we’ve made since 2010 has been substantial. We’ve tidied up on our planning for the short- to the medium-term and have progressively created a wider range of options for the longer term. However, like most of our peers, we have been, and will continue to be, faced with many pricing and location challenges. Our focused integration strategy has mitigated these pricing dislocations and is helping us capture world pricing for our products. We are consistently meeting our targets and have great confidence that we’ll build further momentum in 2014 and beyond, as we continue to execute across the business.

Let me now ask Alister to drill down a bit and after Alister, Rob will follow up with some details on our 2013 operational highlights and 2014 milestones. Alister?

**ALISTER COWAN:**
Thanks, Asim. From a financial perspective, these last three years have been a litmus test of our ability to back up the business strategy with a disciplined financial approach. This disciplined financial plan has helped us weather the challenges in the market that Asim has mentioned; specifically, the significant volatility in market crack spreads, as well as the heavy oil in Western Canada differentials that we’ve seen over the past three years. In particular, the focused integration of our business, as Asim said, continues to enable the capture of world prices for our production. In addition, our Downstream flexibility strategy allows us to change up our crude feedstocks, our product range and our market access to respond to market changes and this provides a measure of stability in earnings and cash flow, which underpins our growth strategy on dividends.

Looking out towards the end of 2013 in respect to our performance, for production, despite a number of third-party operational challenges, as well as a deliberate reduction in dry gas production, we are expecting to be within guidance at approximately 312,000 BOEs per day. With the pipeline of projects we have underway, we remain committed to our compound annual growth target of 5% to 8% within the 2012 to 2017 timeframe, although, as we said before, this will be lumpy.
In terms of cash flow, we’re right on plan with our goal of a 6% to 8% increase in compound annual growth. I'll remind you that the Liwan gas project will provide a considerable boost to cash flows in the coming year.

On the reserves front, reserves growth is continuing to outpace production. We’re staying on pace to meet our average reserves replacement ratio target of more than 140% through the 2017 plan period and, as usual, we’ll provide more specific figures in our annual reserves disclosure this coming spring.

In terms of return on capital, you will recall that last year we expanded the return on capital deployed metric to include a measure of return on capital in use. This helps us better gauge the performance of our producing developments and balance our short- and long-term investments to maximize shareholder value. You know we set a target of 14% to 15% for return on capital in use and 11% to 12% for return on capital employed and we’re on pace to achieve that by 2017.

Looking forward to 2014 production guidance, with the boost we will receive from the Liwan gas project and the continued performance from our heavy oil thermal projects, we are setting our production guidance in 2014 to a range of 330,000 to 355,000 BOEs per day. Note that much of our increased production is weighted towards oil, including the oil-like pricing we’ll receive for the Liwan gas. We are expecting our 49% working interest in Liwan to add in the range of 20,000 to 23,000 BOEs per day of gas to our production, not including liquids and liquids are estimated to be an additional 5,000 to 7,000 barrels per day net to Husky. Now, this takes into account the downtime required to connect the Liuhua 34-2 field. In addition, in 2014, we will record production of approximately 12,000 BOEs per day for cost recovery in respect to our partner’s share of the previously incurred exploration costs. Just a little reminder that the Liwan gas production is fixed price and, therefore, not subject to commodity price fluctuations. We are expecting to drop our Canadian dry gas production in 2014, in favour of higher netback oil and liquids-rich resource plays and our anticipated range for gas production in Western Canada is 70,000 to 80,000 BOEs per day.

Our capital expenditure program for 2014 will be $4.8 billion, which is comparable to our forecast total spend in 2013. Now, this may increase to about $5 billion during the year as we continue to work with Statoil, our partner in the Flemish Pass, to secure a drilling rig for our discoveries in that area and if successful, this could increase our capital expenditures slightly in
the Atlantic region. The planned 2014 spend reflects a steady investment in new heavy oil thermal projects, the Downstream infrastructure initiatives mentioned earlier and completing Liwan and Sunrise. The lion’s share will be directed to our Upstream business at approximately $4 billion and this includes spending approximately $575 million on heavy oil thermal projects and about $300 million on our liquids-rich gas play at Ansell. Our growth areas of Asia-Pacific, the Oils Sands and the Atlantic region will account for approximately $1.5 billion of spend and spending on our two major projects at Liwan and Sunrise will begin to be dialled back as these developments are brought on line in 2014.

Looking out at 2014 financial plan, there are four items to note. With the addition of production from Liwan, we will soon be significantly free cash flow positive, after capital expenditures. Given this and the strength of our balance sheet, the Board have decided to discontinue the payment of dividends by way of the issuance of common shares and this will be effective as of the Q4 dividend declared in February for April payment.

We have some long-term debt maturing in 2014 and you can expect to see us refinance this, thereby maintaining cash liquidity and flexibility and for cash taxes, we expect them to be approximately 90% of the total tax expense in 2014.

Now, a couple of other items to note for 2014. In Upstream, as we mentioned in the last quarter, we’re planning a six- to eight-week off-station at Liwan in the second half of 2014, so we can tie in the Liuhua 34-2 field. This will involve the shutdown of Liwan during that period so we can bring the well into production safely and efficiently and the partner-operated Terra Nova FPSO is scheduled for a 28-day turnaround in the third quarter of 2014. In Downstream, at the Lloydminster Upgrader, we have scheduled a partial outage in the fall of next year for maintenance work on a hydrocracker unit but we are expecting to maintain plant rates at approximately 80% of its work, which is expected to last approximately 40 days. The BP Husky refinery in Toledo will be performing planned maintenance work in the second quarter for approximately 35 to 50 days and during that period, we can expect about 30% of operating capacity will be affected.

Finally, let me leave you with a few key takeaways. We are setting substantially higher production guidance, we will be significantly free cash flow positive after capital expenditures
next year, we will have a robust balance sheet to support our growth and we have a secure and stable dividend.

Rob, I'll now turn it over to you to flesh out the details of our production guidance and operations.

ROBERT PEABODY:
Thanks, Alister. We had a steady year in terms of operations in 2013. I'll touch on a few highlights and speak to our priorities for next year. Overall, we're looking at a planned program of about 860 wells across our business in 2014. Horizontal wells are playing a much larger role in both our heavy oil and Western Canada businesses, particularly in our thermal operations and resource plays. Horizontals are expected to make up 51% of our drills in 2014, up from 46% this year.

Looking first at our heavy oil business, thermal production has emerged as the central driver behind our expected steady growth in heavy oil production in 2014 and beyond. Steaming is underway at the 3,500-barrel-per-day Sandall project and we're preparing for first oil in the first few months of 2014. We're continuing to build the 10,000-barrel-per-day commercial project at Rush Lake with commissioning set for mid-2015.

Year-to-date operating costs from all our heavy oil thermal projects now on production were a little under $10 a barrel. Combine that with low F&D costs in the $10 to $15 per barrel range and a premium product price about $10 per barrel more than you'd get for a typical Fort McMurray bitumen barrel and you can see why these projects generate very strong returns.

Our production from heavy oil thermals in the Lloyd region reached 37,000 barrels per day in 2013 and that's up 40% from last year, and as Asim said, we're on track to grow this production by another 50% to 55,000 barrels per day by 2017. In 2014, we are targeting 550 wells across the heavy oil portfolio. Of these, 125 wells will be supporting thermal production and 140 will be horizontal cold heavy oil wells, which we use to produce oil from thinner reservoir horizons. The latter program, which is showing good results and cold horizontal production in 2014, is expected to exceed 10,000 barrels per day.

In Western Canada, we’re continuing to rejuvenate this business as we transition away from conventional wells to oil and liquid-rich gas plays. On the gas side, Ansell is a good example of
this transformation. This play has increased production by 60% between 2010 and 2013. We’re currently producing 14,000 barrels per day and, as mentioned earlier, we’re shifting our capital to more than double our production in the next few years. We’ve drilled 20 wells and completed another 26, to date this year, on this multi-zone play. In the Duvernay, where we previously had three wells producing, we have just started production on our first four-well pad. In total, we’re looking at drilling approximately 25 liquids-rich gas resource wells, most of them at Ansell and no dry gas wells in 2014.

With our oil resource plays, overall production has increased more than sevenfold between 2010 and 2013, with the biggest growth coming from the Bakken, Viking and Cardium oil resource plays. In the coming year, we plan to drill around 65 oil resource wells, mostly in the same play. At the Slater River play in the Northwest Territories, we completed and tested two vertical wells we drilled in 2012, and our plan for 2014 is to complete our all-season road and advance drilling plans for two horizontal wells in 2014. Our priorities in Western Canada, in the coming year, will be to further drive down costs while growing our liquids-rich gas resource and oil resource production.

Moving to the Downstream, the final piece of our foundation, we continued to increase our flexibility and efficiency in 2013, and much of that work focused on our Lima refinery. This included installing a new 20,000-barrel-per-day kerosene hydrotreater, which, in addition to increasing our capacity to produce distillate, is giving us greater flexibility to swing our production between on-road diesel and jet fuel. We are advancing a plan to increase our ability to process heavier feedstocks at the refinery. The proposed upgrades will allow us to run up to 40,000 barrels per day of heavy crude, which will further strengthen our integration capabilities as we bring on more heavy oil thermal projects in Western Canada. It will also improve our ability to respond more quickly and efficiently to the market. At our refinery in Toledo, we are scheduled to start up a new recycle gas compressor in the existing hydrotreater to improve operational integrity and plant performance. In summary, we’re continuing to improve our ability to capture margins across the board in our Downstream business.

Moving over to the growth pillars and starting in the Asia-Pacific region, we had a busy year with our partner as we put the final touches on the Liwan gas project. This included some pretty spectacular milestones, including the float-over and installation of the 30,000-ton topside onto the offshore central platform, the largest float-over ever completed in our industry; completion of
nine subsea production wells in 1,200 to 1,500 metres of water, approximately 75 kilometres from the main platform; and finalizing the sales agreements for gas from the Liwan 3-1 and the Liuhua 34-2 fields; as well as commissioning of the onshore gas terminal, which is connected directly to the Guangdong natural gas grid. This is the plant that will compress and move the Liwan gas to commercial markets in mainland China and will also process condensate and natural gas liquids to be sold separately. We’ll be seeing first gas from Liwan in early 2014. This project has taken approximately seven years from discovery to first production, making it one of the quickest developments to go from a discovery to first production in our industry.

Looking at the next stage of the Liwan development, we are in the process of negotiating a gas sales contract for the Liuhua 29-1 field. We have already completed the feed study for the field so that once the gas sales are finalized, we can immediately begin project work. That should see 29-1 come on stream in the ’16/17 timeframe.

In Indonesia, we’re continuing to progress our two shallow-water developments in the Madura Strait, at the BD field and the dual MDA/MBH fields. You’ll recall we made four gas discoveries in 2012, and these continue to be evaluated. As Asim said, we’re now adding one more to this group, with another recently confirmed gas discovery also in the Madura Strait. The well is near the MDA and MBH fields and can be tied directly into that planned infrastructure. We have a 50% interest in this new discovery with our partner. Elsewhere in the region, we are moving ahead to acquire and evaluate seismic off the southwest coast of Taiwan.

Turning to Oil Sands, we’ve been continuing to build on the progress that we outlined in our last quarter and we remain on track to see first bitumen from Sunrise in late 2014. We have a few steps left to get there. Our project team expects to turn over all eight well pads to Operations by the end of 2013. We’re also wrapping up work on the gathering lines which will carry steam, emulsion and produced gas between the well pads and the central processing facility. Also, during the first half of 2014, we will be finishing work on the first two trains within the central plant facility. As you recall, we have two trains, A and B, with the second train scheduled for completion around six months after the first is brought on line.

Going forward, we plan to drill 36 wells across our Oil Sands portfolio in 2014, including seven horizontals at Sunrise and nine delineation wells at McMullen. We have started the feed process for the next phase of Sunrise and we’ve also filed a regulatory amendment to
accommodate some modifications in design and layout for Phase 2, which reflects the learnings we’ve realized from Phase 1. Subject to Company and partner approvals, we expect to develop Phase 2 of Sunrise in two 70,000-barrel-per-day stages, which will ultimately bring total production capacity up to 200,000 barrels per day.

In the Atlantic region, a few short years ago, as Asim described, production from the White Rose field was in decline. Today, our satellite extensions at North Amethyst, South White Rose and West White Rose are creating new opportunities. We will soon begin gas injection at South White Rose and expect to see first oil in late 2014. We also commenced construction on the graving dock for a well-head platform to develop West White Rose, with first production scheduled for the 2017 timeframe. The fifth production well at our North Amethyst satellite tie-back, which is actually the first multi-lateral well in that field, has recently come on production. The investments we’ve made in the SeaRose FPSO vessel over the years has helped us to deliver steady, reliable production and this will continue to be a top priority as we further extend our reach in the Jeanne d’Arc Basin.

Looking at exploration in Atlantic Canada, as you’ve heard, we’ve scored a hat trick with our partner in the Flemish Pass with the Bay du Nord Harpoon and Mizzen discoveries. Collectively, these discoveries are opening up an exciting new era of growth in the Atlantic region. As Alister mentioned, we’re now working with our partner to lock down a drilling rig to further evaluate the full commercial potential of these discoveries.

So, in summary, we’re making excellent progress on transforming our foundation businesses in heavy oil in Western Canada, delivering on our major projects and creating attractive new opportunities for the medium- and long-term. The steady performance we’ve seen over the past year has put us in a strong position to meet our new production targets and achieve the major milestones we’ve planned for 2014.

Now, I’ll turn you back over to the Operator so we can take your questions.

**OPERATOR:**
Thank you. We will now begin the analyst question and answer session. Any analyst who wishes to ask question, please press star and one, on your touchtone phone. You will hear a tone to indicate you’re in queue. For participants using a speaker phone, it may be necessary
to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star and two. One moment, please, while we poll for questions.

The first question is from Greg Pardy of RBC Capital Markets. Please go ahead.

**GREG PARDY:**
Yes, thanks, good morning. Three quick ones for you and a very good detail rundown that you just gave, but with Madura, could you talk a little bit about the development initiatives there and just what the timeline might look like? With Sunrise, it really is a timing question, as well, in terms of when the next two phases might come on. Then, lastly, just around—I think you nudged up capital a little bit in 2013 and is it just good opportunities that are driving that? Just wondering what led to that. Thanks very much.

**ASIM GHOSH:**
Alister, why don’t you take the Madura one?

**ALISTER COWAN:**
Greg, on the Madura one, on the BD field, we’re left waiting for the last final approval from the government on the FPSO, so we’re hopeful we’ll get that in the next few months. On the MDA and MBH fields, we’re progressing that. We were just discussing the gas sales agreement. Once we have that, we’ll be able to move that one on. On the other four, and now five, discoveries, clearly, we still have to put a development plan and that’s the plan of attack for 2014.

**GREG PARDY:**
Okay.

**ASIM GHOSH:**
Rob, do you want to take the Sunrise one?

**ROBERT PEAUDOMY:**
Yes, the Sunrise timing of the next two phases, clearly, the message we’ve been giving, we’re putting in places the pieces so we can move quickly on the next two phases but we do want to
see production from Phase 1 before we finally pull the trigger on Phase 2. That would get us—that gets Phase 2 somewhere on stream in the sort of ‘18/19 timeframe, if that all goes to plan.

**ASIM GHOSH:**
Alister, the capital, I’ll hand over to you.

**ALISTER COWAN:**
Yes, I think, Greg, I think your question was 2013 capital, why is it going up. Very simply, as you know, we had a lot of success on exploration this year in the Flemish Pass and the Madura, so we’ve actually capitalized more of our exploration costs than we had expected because of much better success. That’s really the answer.

**GREG PARDY:**
Okay. All right, great. Thanks very much, all.

**OPERATOR:**
The next question is from Paul Cheng of Barclays. Please go ahead.

**PAUL CHENG:**
Hey, guys, good morning. Several quick questions. First, Alister, I know that you ran for—I just want to make sure I fully understand. You’re saying that the Asian gas production guidance of 20,000 to 25,000 barrels per day is the gas and then there’s a liquid component of 5,000 to 7,000 barrels per day, and then you’re also saying that there’s 12,000 barrels per day of the cost recovery for the exploration. Is that 12 included in 20/25 already?

**ALISTER COWAN:**
The 12 of cost recovery is included in the guidance table that we’ve given, but in addition to 20-25,000 boe/d of gas and the 5-7,000 bbl/d of liquids from our working interest.

**PAUL CHENG:**
Okay. The liquid, the 5 to 7; what kind of price that you will be able to sell it at?

**ALISTER COWAN:**
Well, we’re able to sell that at world prices, so whatever those prices would be.
PAUL CHENG:
Are those NGL or condensate?

ALISTER COWAN:
They’re condensate mainly.

PAUL CHENG:
Condensate. Okay. From an accounting standpoint, once that Liwan is started up, in your quarterly report, are you going to break up, say what is the gas sales volume for Liwan or therefore Asia-Pacific, and then what is for North America, or are you going to lump all those numbers into just one number?

ALISTER COWAN:
No, no, no, Paul, we’ll separate it out because of the significant difference in pricing, we will separate it out for you.

PAUL CHENG:
Okay, good. This is probably for Rob. Rob, when we’re looking at $300 million that you’re spend, clearly, that is an increase in the liquid-rich, but comparing to your total budget of 4.8, that seems to be still a relatively small component. Is there any opportunity for you to even accelerate the development in those opportunities there?

ROBERT PEABODY:
Yes, Paul, it’s pretty simple. We were previously at 150; we’ve upped that to 300 now at Ansell. We’re getting good results. We continue—that’s actually four rigs running constantly and we want to keep that sort of a very consistent operation up there going forward. It comes back to capital allocation. We review our capital allocation rigorously and constantly. So, as results warrant it, versus our other investments, we can move more capital there, but at the moment we’re comfortable with the 300.

ASIM GHOSH:
Paul, I just want to make the point; this is a material part of our Western Canada investment. This is an attractive project in the Western Canada context, but is competing against heavy oil
thermal projects, it’s competing against downstream upgrading sort of improvement opportunities, it’s competing against East Coast projects, and all of those are extremely, extremely attractive. So we just, as Rob said, in summary, it just comes down to an overall capital allocation discipline.

**PAUL CHENG:**
Mm-hmm. A final one. When we’re looking at your 2014 production target, is there any particular area you think is a little bit more at risk and also a particular area that you think may have some upside potential?

**ASIM GHOSH:**
No. You know, I think our guidance is our guidance that we believe in and that’s the best quality at this time.

**PAUL CHENG:**
All right. Thank you.

**OPERATOR:**
The next question is from Nick Lupick of CIBC World Markets. Please go ahead.

**NICK LUPICK:**
Hey, guys, just one quick question for me. Given next year’s CapEx at $400 million at Sunrise, what will that take total spend to for the project by the end of next year?

**ROB PEABODY:**
I think the quick way to answer that question is just to say we haven’t changed our overall guidance on Sunrise capital cost since the last time we talked, which is $2.8 million was the number we used and that’s where we still see it. So, that’s where we are. I mean, there’ll be a little bit of sustaining capital starting to be spent next year, I don’t have that figure right to hand, but that’ll be for pads to maintain production in the long term.

**NICK LUPICK:**
Perfect. Thanks.
As a reminder, any analyst who has a question may press star and one, at this time.

The next question is from Mike Dunne of First Energy. Please go ahead.

**MIKE DUNNE:**
Good morning, everyone. A couple of questions. On Sunrise, your press release mentioned incorporating some learnings from Phase 1 into Phase 2 there and so there’s 70,000 barrels a day sizes versus 60 for Phase 1, and I’m just wondering is that—have you increased the size of the steam plant or have you dropped the assumed SOR, or something else? I’m just wondering if you can maybe shed some colour on the changes to scope.

Then, secondly, with Liuhua 34-2, I’m just wondering if that’s still envisioned for first gas, I guess—I think I’ve got it in model mid-2015, but maybe an update on that. Thanks.

**ROBERT PEABODY:**
So, just on Sunrise, there is no change in the SOR assumption at the moment for Phase 2, as you probably anticipate, given we haven’t started up Phase 1. The only issue—the only things that are there are just slight modifications to the design, that through the detailed engineering we think we can change a few things that are actually going to debottleneck, effectively, Phase 2 phases versus Phase 1 phases. So nothing major, but a whole bunch of little things as part of detail design.

**MIKE DUNNE:**
Okay. So, it’s the boilers themselves is similar design to Phase 1, I guess …

**ROBERT PEABODY:**
Yes.

**MIKE DUNNE:**
… and debottlenecking on top of that. Great.
Yes, I could get into detail, there’s a few little tiny things about the boilers, but Asim would hit me, so I won’t do that.

**MIKE DUNNE:**
Okay, got it.

**ASIM GHOSH:**
Then the question on Liuhua.

**ALISTER COWAN:**
Mike, I think, are you referring to 29-1? I mean, where we are on that is we’re evaluating options for the gas sales, but it’s probably 2016, end of 2016, before that will come on stream, just because of the delays and being able to make a decision on the gas.

**MIKE DUNNE:**
Yes, I was actually referring to 34-2. Is it coming on right after the tie-ins there, then, in late 2014?

**ALISTER COWAN:**
34-2 will come on stream after the tie-in in the fall.

**MIKE DUNNE:**
Okay. Great. That’s all for me, thank you.

**OPERATOR:**
The next question is from Harry Mateer of Barclays. Please go ahead.

**HARRY MATEER:**
Hi, good morning. Thanks for the colour on the financing plans for next year with that maturity you have. Two questions. The first is you indicated you expect to generate free cash flow above your CapEx next year. Can you give us any sense when you think your cash flow might exceed both CapEx and dividends?
Then, the second question is you still had a healthy cash balance at the end of 3Q. Can you give us a sense for what, you know, you consider to be the minimum targeted cash balance you guys have?

**Alister Cowan:**
Okay, let me answer the first one. I mean, clearly, we’re financially disciplined, as our track record, we will continue to be so. You know, we were start-up to major projects with Liwan and Sunrise, and now we’ll move it up in our cash flow generation in 2014 and then again in 2015, but we then have one event left to deal with, as you all know; the potential BP true-up towards the end of 2015. I think, as we’ve always said before, at that point we get to make some decisions based on where our cash flow versus our CapEx and dividends are, but at any point in time we certainly look at the balance between paying a healthy dividend and the growth prospects available to the Company.

On the minimum cash balance, I mean, that really depends on where we are from a cash flow from operations generation and as we increase that, clearly, we have significant credit facilities available to us undrawn so we have less need for cash as we bring the big projects on board.

**Harry Mateer:**
So, in 2014, you know, any number you could share with us?

**Alister Cowan:**
No, I don’t think so.

**Harry Mateer:**
Okay. Thank you.

**Operator:**
This concludes the analyst Q&A portion of today’s call. We will now take questions from members of the media. As a reminder, please press star and one, on your touchtone phone to ask a question. If you wish to remove yourself from the question queue, please press star and two. There will be a brief pause while we poll for questions.

The first question is from Geoff Lee of Pipeline News. Please go ahead.
GEOFF LEE:
Rob, in order to get your 55,000-barrel-per-day target from thermal in 2017, are you planning to add any new thermal projects in addition to Sandell, Rush Lake and Paradise Hill?

ASIM GHOSH:
Well, we are constantly working on prospects and when the time is—when we are in a position to make an announcement, we will definitely do so, but, you know, this is not a one-off or two-off or a three-off set of projects for us, this is a strategic initiative for this business unit.

GEOFF LEE:
Okay. Thanks.

OPERATOR:
There are no more questions at this time. I will now hand the call back over to Asim Ghosh for closing comments.

ASIM GHOSH:
Well, thank you all for your questions. As you can see, Husky is in a substantially different place today from where it was three years ago. You know, just if I were to look at our portfolio of real projects – and these are real projects that are not on paper but in our business plan – on average, and just speaking to Geoff Lee's question a moment ago, we have at least one heavy oil thermal project coming on stream per year, on average. We've got Rush Lake in mid-2015. We've got a plan to double Ansell liquids-rich gas production over the next few years. We've got the BD and MDA/MBH shallow-water gas fields offshore in Indonesia in the 2016 timeframe. We've got West White Rose in the 2017 timeframe. We've got the Liuhua 29-1 tied in the same timeframe. Downstream, we've got the Lima crude oil flexibility projects in 2015 to 2017, staggered execution over that three-year period. Then, after Sunrise Phase 1 is done, we've got Sunrise Phase 2 in the 2018/2019 timeframe. Finally, we've got our three major discoveries and there could be more to come after exploration, longer term, in the Atlantic region, which will sort of really deliver until the end of the decade, early next decade timeframe.
So, all in all, what we spoke to you about three years ago is on track. We’ve got the two major developments of the South China Sea gas project, the Liwan gas project, and the Sunrise project, which become real in 2014, and now we are filling our portfolio for the future.

That’s about as short a summary of where Husky stands today as I can provide at this time, more for our Investor Day later in 2014 and thank you for joining us.

OPERATOR:
This concludes today’s conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.